OFFICIAL STATEMENT

NEW ISSUE/Book-Entry Only	**RATINGS:**	
	Maturity 2004: **Fitch Ratings “AA”** **Moody’s “Aa2”** **Standard & Poor's “AA”**	**Maturities 2005-2023:** **Fitch Ratings “AAA”** **Moody’s “Aaa”** **Standard & Poor's “AAA”** **(FSA Insured: See “Bond Insurance” and “Ratings”)**

In the opinion of Bond Counsel interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$41,930,000
CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)
Permanent Improvement and Refunding Bonds, Series 2003

Dated: June 15, 2003 **Due: August 15**

The $41,930,000 City of Arlington, Texas, Permanent Improvement and Refunding Bonds, Series 2003 (the "Bonds") will be issued in fully registered form without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, in principal amounts of $5,000 or multiples thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Interest on the Bonds will be payable on February 15 and August 15 of each year, commencing February 15, 2004.

The scheduled payment of principal of and interest on the Bonds maturing in the years 2005 through 2023, inclusive (the “Insured Bonds”) when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by FINANCIAL SECURITY ASSURANCE INC.

FSA®

Maturity Schedule
(See Inside Cover)

This cover page contains information for quick reference only. It is *not* a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as and if, issued and received by the Underwriters and subject to the approving opinion of the Attorney General of the State of Texas and Vinson & Elkins L.L.P., Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on or attached to the Bonds (See Appendix C, “Form of Bond Counsel’s Opinion”). Certain matters will be passed upon for the Underwriters by Locke Liddell & Sapp LLP, Dallas, Texas.

It is expected that the Bonds will be available for delivery through the Depository Trust Company on or about July 29, 2003.

Morgan Stanley Estrada Hinojosa & Company, Inc.

A.G. Edwards & Sons, Inc. Morgan Keegan & Company, Inc.

The date of this Official Statement is June 27, 2003.

Maturity Schedule

Year (8/15)	Amount	Interest Rate	Price or Yield	Cusip Number[1]	Year (8/15)	Amount	Interest Rate	Price or Yield	Cusip Number[1]
2004	$1,750,000	2.00%	1.10%	041790K54	2014	$2,335,000	5.00%	3.56[2]%	041790L79
2005	4,050,000	2.25	1.45	041790K62	2015	2,325,000	5.00	3.72[2]	041790L87
2006	4,865,000	2.50	1.71	041790K70	2016	1,215,000	5.00	3.88[2]	041790L95
2007	2,495,000	2.50	2.05	041790K88	2017	1,215,000	5.00	4.00[2]	041790M29
2008	3,690,000	5.00	2.38	041790K96	2018	1,215,000	5.00	4.10[2]	041790M37
2009	3,680,000	5.00	2.63	041790L20	2019	1,215,000	5.00	4.19[2]	041790M45
2010	1,215,000	4.00	2.95	041790L38	2020	1,215,000	5.00	4.28[2]	041790M52
2011	1,215,000	4.00	3.15	041790L46	2021	1,215,000	5.00	4.36[2]	041790M60
2012	1,215,000	4.50	3.30	041790L53	2022	1,215,000	5.00	4.44[2]	041790M78
2013	3,375,000	5.00	3.42	041790L61	2023	1,215,000	5.00	4.50[2]	041790M86

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services.

(2) Priced at the stated yield to the August 15, 2013 optional redemption date at a redemption price of par.

CITY OF ARLINGTON

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Robert Cluck, M.D. Mayor	4 years [1]	May, 2005	Doctor
Wayne Ogle Mayor Pro Tem	8 years	May, 2005	Minister
Joe Bruner Council member	3 years	May, 2004	Certified Public Accountant
Bill McFadin Council member	[2]	May, 2004	Retired
Kathryn Wilemon Council member	[2]	May, 2005	Community Volunteer
Lana Wolff Council member	[2]	May, 2005	Community Volunteer
Steve McCollum Council member	3 years	May, 2004	Small Business Owner
Ron Wright Council member	3 years	May, 2004	Congressman's District Director
Gene Patrick Council member	[2]	May, 2005	Small Business Owner

(1) Served as Council member from May 1999 to May 2003.
(2) Elected May 2003.

APPOINTED OFFICIALS

Name	Position	Years of employment with City
Charles R. Kiefer	City Manager	25
William F. Studer, Jr.	Deputy City Manager - Administration	20
David M. Kunkle	Deputy City Manager - Citizen Services	18
Gayle Lacerda	Deputy City Manager - Community Resources	14[1]
Donna Swarb	Chief Financial Officer	4
Jay Doegey	City Attorney	17
Barbara Heptig	City Secretary	6

[1] Non-consecutive service.

ATTORNEY AND INDEPENDENT PUBLIC ACCOUNTANTS

Independent Public Accountants	KPMG, LLP Dallas, Texas
Bond Counsel	Vinson & Elkins L.L.P. Dallas, Texas

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the City to give any information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell and is not to be used in an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

Neither the City nor the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of. Their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

In connection with the offering of the bonds, the Underwriters may over-allot or effect transactions which stabilize or maintain the market prices of the bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

CUSIP numbers have been assigned to the Bonds by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Bonds. The City is not responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and Appendix D "Form of Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

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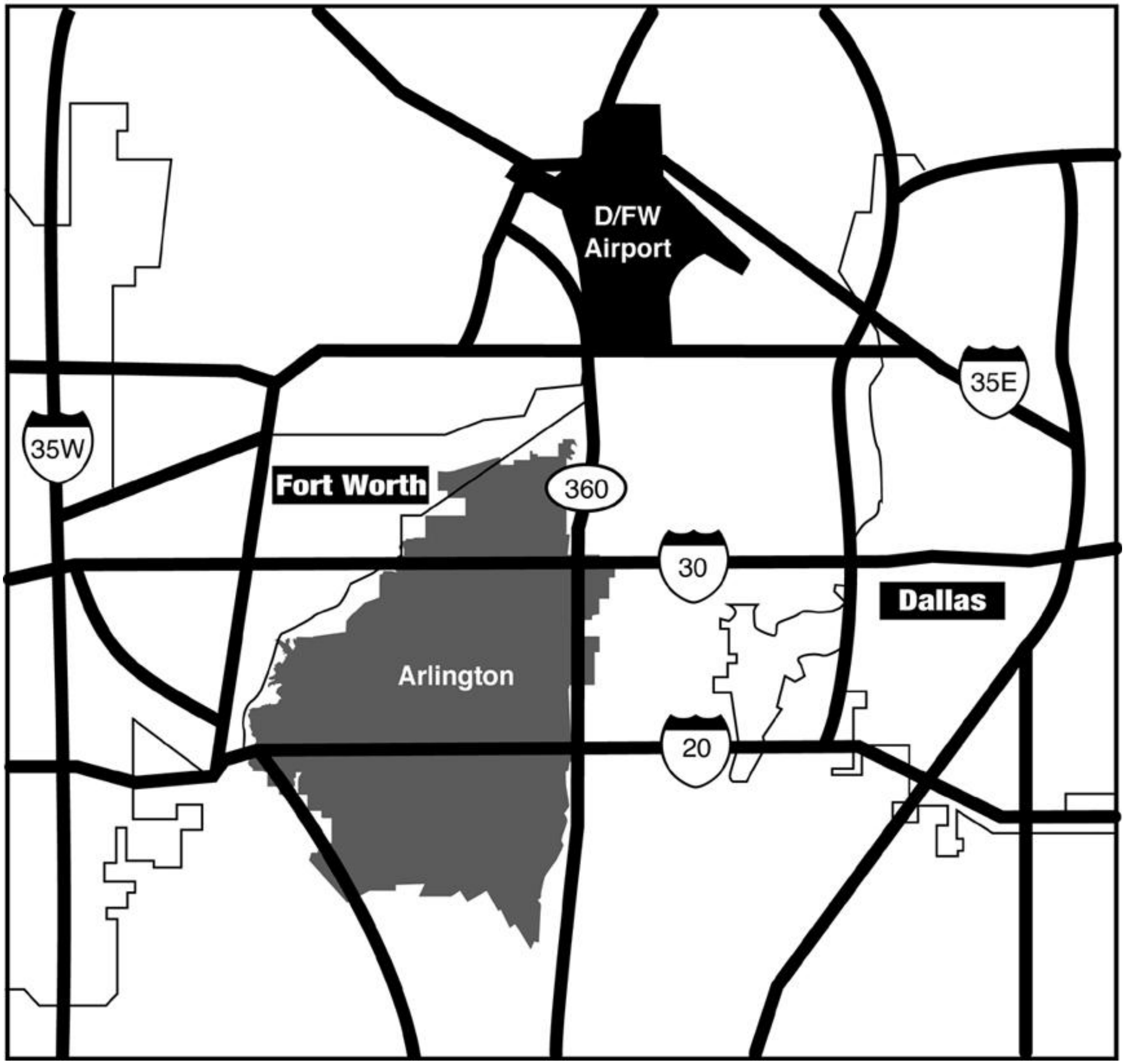
Dallas/Fort Worth/Arlington Metropolitan Area



SECTION ONE: INTRODUCTION

The following material is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement, reference to which is hereby made for all purposes.

The Issuer

The City of Arlington, Texas (the "City"), is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and 8 miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 98.7 square miles, had a 2000 census population of 332,969. The City's Planning and Development Services Department estimates the current population of the City to be 346,197 residents. The City operates under a Council-Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services. The City operates its water and wastewater system and its sanitary landfill operation as self-supporting enterprise funds.

The Bonds

$41,930,000 City of Arlington, Texas, Permanent Improvement and Refunding Bonds, Series 2003 (the "Bonds"), dated June 15, 2003, maturing on the dates set forth on the inside cover of this Official Statement. Interest will be paid on February 15, 2004, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption.

The Bonds are issued pursuant to the laws of the State of Texas and the ordinance (the "Ordinance") adopted by the City Council of the City.

Use of Proceeds

The proceeds from the sale of the Bonds are being used to make various capital improvements, pay costs related to the issuance of the Bonds, and to refund certain maturities of the City's outstanding obligations listed in Appendix E (the "Refunded Obligations") as described in "Section Two - Plan of Financing". See "Section Two - Authorized Permanent Improvement Bonds and Uses of Proceeds" under "Authority for Issuance" for additional information on the planned capital improvements.

Security

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

Optional Redemption

The Bonds maturing on and after August 15, 2014 are subject to redemption prior to maturity at par plus accrued interest, at the option of the City, on August 15, 2013 or on any date thereafter as described more fully in Section Two herein "Optional Redemption."

Legal Matters

The City will furnish a complete transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the Ordinance containing the continuing disclosure agreement required pursuant to Rule 15c2-12 of the Securities and Exchange Commission, a certified copy of the approving opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding Bonds of the City, and the approving legal opinion of Vinson & Elkins L.L.P., Dallas, Texas, Bond Counsel, to like effect and to the effect that (i) the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations except as described below under "Tax Exemption." In rendering the aforesaid opinion, the

Attorney General of the State of Texas will review the transcript of proceedings relating to the Bonds, including the Bond initially delivered to the initial purchaser or purchasers of such Bonds.

Bond Counsel has not examined and has not investigated or verified any statements, records, material or matters relating to the financial condition or capabilities of the City, and has assumed no responsibility for the preparation or contents of the Official Statement, except that in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement in order to verify that such descriptions conform to the provisions of the Ordinance. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Bond Counsel's fee for services rendered with respect to the sale of the Bonds is paid on a "per bond" basis. Certain matters will be passed upon for the Underwriters by Locke Liddell & Sapp LLP, Dallas, Texas.

Litigation

The City is involved in a class action lawsuit in which the plaintiff alleges that the City's street maintenance fee as approved by the City Council in October 2000 is an illegal tax. The trial court has concluded that the fee is invalid; however, a final ruling and remedy has not yet been issued by the court. The range of exposure to the City in the event of a refund ruling is $8,200,000 to $9,200,000. The probability of an unfavorable outcome cannot be determined at this time.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of self insurance limitations (see “Self Insurance”) or insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position, as a whole.

Delivery

The Bonds are offered subject to prior sale, when, as, and if, issued by the City and accepted by the Underwriters, subject to the approval of the Attorney General of Texas and Vinson & Elkins L.L.P., Dallas, Texas, Bond Counsel. Delivery of the Bonds is expected on or about July 29, 2003.

Paying Agent/Registrar

Payments of principal and interest will be payable by JPMorgan Chase Bank (the “Paying Agent/Registrar") to DTC or its nominee, Cede & Co., which will then remit such payments to the DTC participants for subsequent disbursement to the Beneficial Owners of the Bonds, as described in Section Two herein "Book-Entry-Only System."

Ratings

The initial credit ratings are Aa2 by Moody’s Investors Service, Inc., AA by Standard & Poor's Rating Services, and AA by Fitch Ratings. In addition, the Bonds maturing in years 2005-2023 have been given the rating of Aaa by Moody’s Investors Service, Inc., AAA by Standard & Poor's Rating Services, and AAA by Fitch Ratings, with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the payment when due of the principal of and interest on the Bonds will be issued by Financial Security Assurance Inc. An explanation of the significance of such ratings may only be obtained from the rating agency furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by either or both of such rating agencies if, in the judgment of either or both, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of either of such ratings may have an adverse effect on the market price of the Bonds.

Registration and Qualification

The sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

Payment Record

The City has never defaulted on its revenue bonds and has not defaulted on its bonds payable from ad valorem taxation since 1935, when all such bonds were refunded at par with a reduction in interest rate.

Underwriting

The Bonds are being purchased by Morgan Stanley & Co. Incorporated as Senior Managing Underwriter, and the other underwriters listed on the cover of this Official Statement (the “Underwriters”). The purchase contract for the Bonds (the “Purchase Contract”) sets forth the obligation of the Underwriters to purchase the Bonds at an aggregate underwriting discount of $195,393.80 from the initial public offering prices set forth on the inside cover page of this Official Statement, plus accrued interest, and is subject to certain terms and conditions, including the approval of certain legal matters by Bond Counsel. The Purchase Contract provides that the Underwriters will purchase all of the Bonds if any are purchased. The Underwriters may offer and sell the Bonds to certain dealers and others at prices different from the public offering prices stated on the inside cover page of this Official Statement. The public offering prices may be changed from time to time at the discretion of the Underwriters.

Preparation of Official Statement

Concurrent with the delivery of the Bonds, the City will furnish a certificate dated the date of delivery of the Bonds, signed by the appropriate City officials and stating that the descriptions and statements in this Official Statement on the date of this Official Statement and on the date of delivery were and are true and correct in all material respects, did not and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such descriptions and statements, in light of the circumstances under which they were made, not misleading, and that no material adverse change has occurred in the financial condition of the City between the date of this Official Statement and the date of delivery of the Bonds other than as contemplated in the Official Statement. Such certificate will also state, however, that such City officials did not independently verify the information indicated in this Official Statement as having been obtained or derived from sources other than the City and its officers but that they have no reason to believe that such information is not accurate. None of the information contained in this Official Statement (with the exception of Appendix B) has been reported on by the City's independent auditors.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security Assurance Inc. ("Financial Security") will issue its Municipal Bond Insurance Policy (the "Policy") for the Bonds maturing on August 15, 2005 through August 15, 2023, inclusive (the “Insured Bonds”). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At March 31, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately $1,932,647,000 and its total unearned premium reserve was approximately $1,077,095,000 in accordance with statutory accounting practices. At March 31, 2003, Financial Security's total shareholders' equity was approximately $2,043,103,000 and its total net unearned premium reserve was approximately $904,700,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City made the following agreement for the benefit of the owners and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

Annual Reports

The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the headings " Section Three: The City of Arlington"; "Section Four: Debt Structure and Capital Improvement Program"; and "Section Five: Financial Information" and in Appendix B. The City will update and provide this information within six months after the end of each fiscal year ending in or after 2003. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide notice that audited financial statements are not available and will provide unaudited financial statements for the applicable fiscal year to each NRMISR and any SID. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulations.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and any SID of the change.

The Municipal Advisory Council of Texas has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the Municipal Advisory Council is 600 West 8th Street, P.O. Box 2177, Austin, Texas 78798-2177, and its telephone number is 512/476-6947.

Material Event Notices

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of owners of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. (Neither the Bonds nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement.) In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The City has agreed to provide the foregoing information only to NRMSIRs and any SID. The information will be available to owners of Bonds only if the owners comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the owners and Beneficial Owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The City has previously made continuing disclosure agreements in connection with the issuance of its Bonds and Obligations. The City is in compliance with its prior undertakings.

ADDITIONAL INFORMATION

For additional information regarding this document please contact Mr. Chuck Springer, Treasury Manager, City of Arlington, Texas, at (817) 459-6307.

SECTION TWO: THE BONDS

DESCRIPTION OF THE BONDS

General

The Bonds are dated June 15, 2003, and mature on the dates set forth on the inside cover of this Official Statement. Interest is payable on February 15, 2004, and on each August 15 and February 15 thereafter until the earlier of maturity or prior redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

Security

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

PLAN OF FINANCING

Purpose

The Bonds are being issued (i) for the purpose of providing funds for making permanent public improvements to library facilities, park and recreation facilities, fire facilities, police facilities, animal shelter facilities and street improvements and enhancements, (ii) to refund a portion of the City's outstanding obligations (the "Refunded Obligations") in order to achieve debt service savings and (iii) to pay the costs of issuing the Bonds. See "Section Two –Authorized Permanent Improvement Bonds and Uses of Funds" for a more complete description of the City's permanent improvement bond authorizations and see "Appendix E – Schedule of Obligations to be Refunded" for a more complete description of the Refunded Obligations.

Refunded Obligations

Upon delivery of the Bonds, the City will enter into an Escrow Agreement with JPMorgan Chase Bank, as Escrow Agent (the "Escrow Agent"). The Escrow Agreement creates an Escrow Fund, which is to be held by the Escrow Agent and is to be applied solely to the payment of the Refunded Obligations listed in Appendix E. The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters and other available funds of the City, the City will deposit with the Escrow Agent for irrevocable deposit in the Escrow Fund an amount which will be invested, at the direction of the City, in direct obligations of the United States of America ("Government Securities") maturing in amounts and bearing interest at rates sufficient without reinvestment (i) to pay when due the interest on the Refunded Obligations to the first day on which they may be redeemed at the option of the City, (ii) to pay the principal of the Refunded Obligations at such redemption dates, and (iii) to pay the redemption prices of the Refunded Obligations at redemption prices equal to the respective principal amounts and premium (if any) of the Refunded Obligations to be redeemed, plus interest accrued and unpaid to such redemption date. The Government Securities will be purchased from the Treasury Department of the United States of America or in the open market at interest rates which will cause the yield thereon, computed in accordance with the provisions of Section 148 of the Code, not to exceed the yield permitted by such Code. **The Escrow Fund, including the interest earnings on the Government Securities, is pledged solely for the benefit of the holders of the Refunded Obligations and will not be available to pay debt service on the Bonds.**

The Refunded Obligations have been irrevocably designated for redemption in accordance with the information set forth in Appendix E and provision has been made in the Ordinance for the giving of notice of such redemption.

By deposit of the Government Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all the Refunded Obligations in accordance with applicable law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of The Arbitrage Group, Inc., certified public accountants and consultants, the Refunded Obligations will be outstanding only for purpose of receiving payments from the Government Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes nor for the purpose of applying any limitation on the issuance of debt.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

By issuing the Bonds, the City will save approximately $1,117,723.61 in debt service costs on an aggregate basis and $934,205.64 on a present value basis discounted at the arbitrage yield limit of the Bonds (3.3704%). The present value savings represent 5.2366 percent of the par amount of the Refunded Obligations.

Verification of Mathematical Computations

The Arbitrage Group, Inc., certified public accountants and consultants, will verify the arithmetical accuracy of certain mathematical computations (a) as to the sufficiency of the monies and investments deposited in the Escrow Fund (i) to pay, when due, the interest on the Refunded Obligations from their respective interest payment dates to their respective earliest redemption dates, (ii) to pay the principal of the Refunded Obligations at such redemption dates and (iii) to pay the redemption prices of the Refunded Obligations at redemption prices equal to the respective principal amounts of the Refunded Obligations to be redeemed, plus interest accrued and unpaid to such redemption dates, (b) as to the yields on the Bonds and the Refunded Obligations and on the Government Securities to be purchased with the proceeds of the sale of the Bonds and the City's cash contribution and deposited in the Escrow Fund pursuant to the terms of the Escrow Agreement which was relied upon by Bond Counsel to support its opinion that interest on the Bonds will not be included in gross income for federal income tax purposes.

SOURCES AND USES OF FUNDS

The following table summarizes the anticipated application of the proceeds of the Bonds and other available moneys of the City for the purpose of issuance described above:

Sources:	
Par Amount of Bonds	$41,930,000.00
Original Issue Premium	3,043,315.65
Accrued Interest	210,008.33
Cash Contribution from City	471,406.25
Total Sources	$45,654,730.23
Uses:	
Deposit to Construction Fund	$25,615,428.24
Deposit to Escrow Fund	19,373,085.62
Deposit to I&S Fund	213,366.10
Insurance Premium	106,385.22
Issuance Expenses	151,071.25
Underwriters' Discount	195,393.80
Total Uses	$45,654,730.23

Tax Exemption

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Code, and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of the proceeds of the Bonds and source of repayment thereof, limitations on the investment of proceeds of the Bonds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds of the Bonds be paid periodically to the Unites States and a requirement that the City file an information report with the Internal Revenue Service. The City has covenanted in the Ordinance authorizing the issuance of the Bonds that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants in the Ordinance pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the City and the Underwriters with respect to matters solely within the knowledge of the City and the Underwriters, which Bond Counsel has not independently verified. Bond Counsel will further rely on the report of The Arbitrage Group, Inc., certified public accountants, regarding the mathematical accuracy of certain computations. If the City should fail to comply with the covenants contained in the Ordinance or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the respective Bonds could become taxable from the date of initial delivery thereof, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. Generally, the alternative minimum taxable income of a corporation (other than any S corporation, regulated investment company, REIT, REMIC or FASIT), includes 75% of the amount by which its "adjusted current earnings" exceeds its other "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, and as stated below in "Tax Accounting Treatment of Original Issue Discount Bonds," Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest on such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the “Service”); rather such opinions represent Bond Counsel’s legal judgment based on its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local bonds in includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the outcome of the audit.

Book-Entry-Only System - General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange. Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, arid clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from City or Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Paying Agent/Registrar, or City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City or Paying Agent/Registrar, disbursement of such payments to Direct and Indirect Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to City or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that City and the Underwriters believe to be reliable, but neither the City nor the Underwriters takes any responsibility for the accuracy thereof.

Book-Entry-Only System - Miscellaneous

The information in the Subsection entitled "Book-Entry-Only System-General" has been obtained by the City from DTC. The City takes no responsibility for the accuracy or completeness thereof. Neither the City nor the Paying Agent/Registrar will have any responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The City cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

Source of Payment for the Bonds

The opinion of Bond Counsel will state, among other things, that the Bonds constitute valid and legally binding obligations of the City and that ad valorem taxes upon all taxable property of the City necessary to pay the principal of and interest on the Bonds have been levied and pledged irrevocably for such purposes, within the limits prescribed by law.

The following is an excerpt from the ordinance authorizing the issuance of the Bonds:

> "Pursuant to the authority granted by the Texas Constitution and the laws of the State of Texas, there shall be levied and there is hereby levied for the current year and for each succeeding year hereafter while any of the Bonds or any interest thereon is outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the City, at a rate sufficient, within the limit prescribed by law, to pay the debt service requirements of the Bonds, being (i) the interest on the Bonds, and (ii) a sinking fund for their redemption at maturity or a sinking fund of two percent (2%) per annum (whichever amount is greater) when due and payable, full allowance being made for delinquencies and costs of collection.

The ad valorem tax thus levied shall be assessed and collected each year against all property appearing on the tax rolls of the City most recently approved in accordance with law and the money thus collected shall be deposited as collected to the Interest and Sinking Fund.

Said ad valorem tax, the collections therefrom, and all amounts on deposit in or required hereby to be deposited to the Interest and Sinking Fund are hereby pledged and committed irrevocably to the payment of the principal of and interest on the Bonds when and as due and payable in accordance with their terms and this Ordinance."

Optional Redemption

The City has reserved the right and option to redeem the Bonds maturing on and after August 15, 2014, in whole or in part, on August 15, 2013, or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption. If less than all the Bonds are to be redeemed by the City, the City shall determine the maturity or maturities and the amounts thereof to be redeemed.

Notice of Redemption

Not less than 30 days prior to the redemption date, the Paying Agent/Registrar shall send a notice of redemption by United States mail, first class postage prepaid, to each registered owner (the "Owner") of a Bond to be redeemed in whole or in part at the address of the Owner as shown on the records of the Paying Agent/Registrar at the time such notice of redemption is mailed, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by an Owner. Such notice shall, among other things, identify the redemption date, specify the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all of the Bonds are to be redeemed, the notice shall identify the Bonds or portions thereof to be redeemed. The notice of redemption shall also state that the Bonds so called for redemption shall cease to bear interest after the redemption date.

Redemption Procedures While Bonds Held by DTC

If the Bonds are being held by DTC under the book-entry system and less than all of such Bonds within a maturity are being redeemed, DTC's current practice is to determine by lot the amount of the interest of each DTC Participant in such maturity to be called for redemption, and each DTC Participant is to then select by lot the ownership interest in each maturity to be redeemed. See "Book-Entry-Only System - General" herein.

In the event the Bonds are no longer in the book-entry form at DTC, if less than all the Bonds are to be redeemed by the City, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot within a maturity the Bonds or portions thereof to be redeemed.

Owners' Remedies

The Ordinance provides that while any of the Bonds are outstanding there shall be levied, assessed and collected an ad valorem tax, within the limits prescribed by law, on all taxable property within the City, sufficient to pay principal of and interest on the Bonds when due and to pay the expenses necessary in collecting such taxes. The Ordinance provides for nonexclusive remedies to an Owner in the event of default, but the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under the Ordinance. Upon the happening and continuance of any event of default, any Owner may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under the Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained in the Ordinance, or thereby to enjoin any act or thing which may be unlawful or in violation of any right of the Owners or any combination of such remedies. It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners. Each right or privilege of any Owner (or trustee thereof) shall be in addition to and cumulative of any other right or privilege and the exercise of any right or privilege by or on behalf of any Owner shall not be deemed a waiver of any other right or privilege thereof. The Owners cannot themselves foreclose on or sell property within the City in order to pay the principal of or interest on the Bonds. However, by a judicially issued writ of mandamus, an Owner can require the City Council to levy, assess and collect taxes in an amount sufficient to pay the principal of and interest on the Bonds, within the City's taxing limits prescribed by law.

While an Owner could obtain a judgment against the City, such a judgment could not be enforced by a direct levy and execution against property within the City. The enforceability of the rights and remedies of the Owners may further be limited by judicial discretion, the sovereign police powers of the State and laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City.

Registration

Registration and Payment. The Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Principal and semiannual interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which shall disburse such payments to the DTC Participants who will distribute such payments to the Beneficial Owners as described herein.

For so long as DTC is the securities depository for the Bonds, then the "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar. Principal of the Bonds will be payable to the Owner at maturity or prior redemption upon presentation to the Paying Agent/Registrar. Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to the Owner(s) as shown on the records of the Paying Agent/Registrar on the last calendar day of the month preceding such interest payment date (the "Record Date"), or by such other customary banking arrangements, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bonds in accordance with the provisions of the Ordinance. Such new Bond or Bonds must be in the denomination of $5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Bond must be proved to the satisfaction of the Paying Agent/Registrar.

Successor Paying Agent/Registrar. Provision is made in the Ordinance for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City shall be a commercial bank, a trust company organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve as and perform the duties and services of paying agent and registrar for the Bonds. A successor Paying Agent/Registrar, if any, shall be determined by the City. Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond or portion thereof, called for redemption prior to maturity, within 45 days prior to the date fixed for redemption.

AUTHORITY FOR ISSUANCE

The Bonds are issued pursuant to authority granted by the resident, qualified voters at elections held within the City on January 16, 1993, January 18, 1997, January 16, 1999, and February 1, 2003, the Constitution and general laws of the State of Texas, particularly Chapters 1207, 1331 and 1371, Texas Government Code, as amended, and the Ordinance passed by the City Council on the date of the sale of the Bonds, to which reference is herein made.

Authorized Permanent Improvement Bonds and Use of Proceeds

The following table provides information on the outstanding permanent improvement bond authorizations.

	(amounts in thousands)			
Election Purpose	Authorized Amount	Previously Issued	The Bonds	Remaining to be Issued
1993 Library Book Collection	$ 2,900	$ 2,665	$ 235	$ -
1993 Library Renovation & Expansion	1,445	1,110	335	-
1993 Library Mobile and Portable Facilities	570	-	-	570
1997 Park and Recreation	37,860	27,545	4,040	6,275
1999 Street and Transportation	85,520	54,350	14,500	16,670
1999 Fire	7,605	6,020	1,585	-
1999 Library	3,725	2,300	700	725
2003 Animal Control	2,665	-	325	2,340
2003 Fire	4,935	-	1,750	3,185
2003 Library	2,435	-	-	2,435
2003 Police	10,935	-	2,270	8,665
2003 Erosion Control	1,900	-	-	1,900
Total	$162,495	$93,990	$25,740	$42,765

No Litigation Certificate

The City will furnish to the Underwriters a certificate, dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature has been filed or is pending, as of such date, to restrain or enjoin the issuance and delivery of the Bonds, or which affects the provisions made for their payment or security, or in any manner questions the validity of the Bonds.

LEGAL HOLDINGS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

SECTION THREE: THE CITY OF ARLINGTON

INTRODUCTION

The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundary is approximately 98.7 square miles and approximately three quarters of a mile are contained within its extra-territorial jurisdiction.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City operates under a Council-Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services.

General

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects a Mayor Pro Tem from among its members.

Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on each Tuesday. Council meetings are televised on the local cable public access station. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

Administration

The City Manager is the administrative head of the municipal government and carries out the policies of the Council. With the assistance of three Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City Manager is appointed by the Council and serves at the pleasure of the Council.

Excluding the positions and offices of the City Attorney and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

Certain City Council Appointees

The Council appoints the City Attorney, who has management, charge, and control of all legal business of the City. He is chief legal advisor to the Council, the City Manager, and all City departments and agencies. It is his duty to advise Council concerning the legality of actions by the City and to represent the City in all matters affecting its interest.

The City's Municipal Court Judiciary provides for the adjudication of Class "C" misdemeanor cases, issuance of warrants and the arraignment of prisoners.

The Council also appoints members to certain boards, commissions, and authorities as it deems necessary to the operation of the City.

Principal Executive Officers

City Manager - Mr. Charles R. Kiefer - with the City since June 1978, he received his B.S. degree from Northern Kentucky University and his M.P.A. degree from Southern Methodist University and has completed the Harvard Program for Senior Government Executives. He was previously employed with the Kentucky Department for Local Government, and the City of University Park, Texas.

Deputy City Manager - Mr. William F. Studer, Jr. - with the City since June 1983, he received his B.A. from the University of Texas at El Paso and completed the course work for an M.P.A. from the University of North Texas and has completed the Harvard Program for Senior Government Executives. Prior to joining the City, he was Assistant Director of Budget and Research for the City of Dallas. Mr. Studer has announced his retirement effective July 18, 2003.

Deputy City Manager - Mr. David M. Kunkle - with the City since January 1985, he received his B.S. and his M.P.A. from the University of Texas at Arlington and has completed the Harvard Program for Senior Government Executives. Prior to joining the City, he served as Police Chief in Grand Prairie, Texas, and as a police Captain in Dallas, Texas.

Deputy City Manager - Ms. Gayle Lacerda - with the City since February 2000, she received her B.A. from Dallas Baptist University and has completed the Harvard Program for Senior Government Executives. Prior to rejoining the City, she served as Director of Human Resources for the City of Irving, Texas and for the Dallas-Fort Worth International Airport. She also served the City of Arlington as a Human Resources Manager from 1986 to 1995.

Chief Financial Officer - Ms. Donna Swarb - with the City since November 1998, she received her B.S. from Oklahoma Christian University and is a Certified Public Accountant. Prior to joining the City, she served as Director of Accounting for the University of Texas at Arlington.

Director of Water Utilities - Mr. Charles F. Anderson - with the City since 1972, he received his B.A. in Chemistry from Texas Wesleyan University and has completed the Virginia Polytechnic Institute and State University Institute for Water and Wastewater Utility Management. Prior to joining the City, he worked for General Dynamics and served in the U.S. Army.

City Attorney - Mr. Jay Doegey - with the City since March 1986, a graduate of Southern Illinois University, he received his law degree from the University of Texas. Prior to joining the City, he was Senior Assistant City Attorney for Corpus Christi, Texas.

City Secretary – Ms. Barbara Heptig - with the City since January 1997, she received an undergraduate and law degree from Washburn University of Topeka, Kansas. Prior to becoming City Secretary in 2003, she was an Assistant City Attorney for Arlington. Prior to joining the City, she was a partner with Cantey & Hanger and a litigation attorney for the United States Department of Labor.

Governmental Services and Facilities

The City provides a full range of municipal services including police and fire, health, parks and recreation, public works, planning, and general administrative services. Water and wastewater services and landfill operations are accounted for in the City's Enterprise Fund.

The City's main municipal facilities include a general administrative building, a public safety building, and a municipal court complex. There are 16 fire stations, two police stations and two substations, a police training center, a fire training center, one main and four branch libraries, 87 city parks, and four municipal golf courses.

Some of the other major facilities provided by the City include a convention center, five recreation centers, and a municipal airport.

The City of Arlington provides a comprehensive range of public services characteristic of its position as the most populous city in the Mid-Cities area of the Dallas-Fort Worth Metroplex. Presented in the following pages is a description of selected City agencies and departments contained within each of the three functional groups.

FUNCTIONAL GROUPS

Community Resources Group

The Deputy City Manager for Community Resources is responsible for oversight and management of four development related departments. The City functions covered by the Community Resources Group include Public Works, Water Utilities, Planning and Development Services, and Parks and Recreation.

The Public Works Department has recently been formed through the combination of the Engineering Services and Transportation functions. The Department of Public Works plans, designs, operates, acquires, constructs and maintains public facilities to ensure the safe and efficient movement of people, goods and storm water. New division level organization charts have been created and functions have been consolidated in the areas of transportation planning, engineering operations, traffic, signal engineering, geographic information systems, streets and storm water drainage.

The Water Utilities Department is responsible for assuring a continuous supply of high quality water and a safe and adequate wastewater service. Arlington's water treatment operations are nationally known and are recognized for their use of advanced technology. Transmission capacity has been designed to stay ahead of peak demands well into the 21st century. The Department has received awards from the United States Environmental Protection Agency, Texas Municipal Utilities Association, and the American Water Works Association.

The Planning and Development Services Department is responsible for maintaining a long-range Comprehensive Plan which optimizes the physical, fiscal and natural resources of the City in its development. The Building Inspection Division enforces City ordinances regarding general construction, zoning, mechanical, electrical and plumbing activities. The planning staff provides coordination services in an effort to effectively facilitate program development and implementation. Additional responsibilities include developing the capital budget, and providing City staff and the general public with current zoning and inventory maps and a wide range of demographic statistics.

The Parks and Recreation Department is responsible for the operation and maintenance of the City's 4,180 acres of parks, including four municipal golf courses and five recreational centers and for the management of the Arlington Community Center. It conducts a wide range of high quality, year-round leisure time programs that are responsive to the physical and cultural needs of the citizens of Arlington.

Administration Group

The Deputy City Manager for Administration is responsible for the oversight and management of five City departments which include Finance, Human Resources, Technology Services, Support Services, Convention and Event Services, as well as the Internal Audit Division and the Office of Communications.

The Department of Finance oversees the financial affairs of the City and ensures the financial integrity of City operations. Departmental services include accounts payable, accounting, budgeting, purchasing, treasury management, risk management, and maintenance of the City's fixed assets inventory. It also oversees the Municipal Court Operations, and the City Secretary’s Office. The Municipal Court Operations collects court fines, sets trial dockets, and maintains the Municipal Court records. The City Secretary’s Office transcribes and maintains official City records, minutes and ordinances, and conducts City elections.

The Department of Human Resources is responsible for planning, developing, and administering the functions of employment, testing, training, and employee relations. It also administers the salary and benefit program and processes the payroll.

The Department of Technology Services has the responsibility for the processing and electronic storage of information used in the daily business of the City. The Geoprocessing Division is responsible for meeting the automated geographic information and mapping needs of the City.

The Department of Support Services is responsible for fleet operations, citywide telecommunication services, building construction management, and general services. It also has responsibility for 9•1•1 dispatch services and building maintenance operations.

The Convention and Event Services Department is responsible for the management of the Arlington Convention Center. The City contracts with the Arlington Convention and Visitors Bureau for the tourism marketing of the City of Arlington.

The Internal Audit Division monitors internal accounting controls of City assets, monitors security of electronic data and responds to management requests for analyses, appraisals, and recommendations.

The Office of Communications works with news media, issues publications, and implements programs to educate and inform citizens about City policies and programs.

Citizen Services Group

The Deputy City Manager for Citizen Services is responsible for the oversight and management of the Police, Fire, Library, and Neighborhood Services Departments.

The Police Department is composed of three major units: Operations, Management Services, and Community Services. More than 700 members of the Arlington Police Department deliver law enforcement services using a neighborhood based policing model. The Police Department responded to 158,229 calls for service in fiscal year 2002. In 1989, the Police Department joined an elite number of police agencies nationwide in achieving the certification standards required by the Commission on Accreditation for Law Enforcement Agencies, Inc. The Department was recertified in 1999.

The City's Fire Department, which is responsible for fire prevention, fire suppression and first response emergency medical services, responded to approximately 28,900 calls for service in fiscal year 2002. The 297 employees of the Fire Department provide emergency responses from the City's 16 fire stations. The Emergency Management Office is responsible for coordinating major emergency disaster responses for the City.

The Library Department is responsible for the management and operation of the City's central library and four branch libraries. Circulation exceeds 1.5 million items annually.

The Neighborhood Services Department is responsible for enhancing the livability of neighborhoods through three Divisions and the Office of Neighborhood Initiatives. The Code Enforcement Division is responsible for enforcing City regulations related to the maintenance, sanitation, rehabilitation and conservation of existing housing. The Health Division is responsible for the inspection of food services establishments, public swimming pools and new septic system installations. In conjunction with Tarrant County, it operates the Public Health Center, which is responsible for administering immunizations to children and supplying preventive health screening for the elderly. The Health Division is also responsible for Animal Control Services and operations of the City's landfill. The Housing Division is responsible for administering federal and state grant funds and providing housing assistance to qualified citizens.

ECONOMIC AND DEMOGRAPHIC FACTORS

Population

The 2002 estimated population for the City of Arlington is 346,197. The following table presents population figures for selected years.

Population and Rates of Change
Arlington and the United States
Selected Years

Year	Arlington	Annual Rate of Change	United States	Annual Rate of Change
1950	7,692	-- %	150,697,361	-- %
1960	44,775	19.3	178,464,236	1.71
1970	90,229	7.3	203,211,926	1.31
1980	160,113	5.9	226,545,805	1.09
1990	261,721	5.0	248,765,170	0.94
2000	332,969 (1)	2.4	281,421,906	1.40
2002	346,197	2.0	288,368,698	1.23

(1) Actual 2000 Census population.

Source: U.S. Dept. of Commerce, U.S. Census, and the City Planning and Development Services Department estimates.

Per Capita Personal Income

	2001	2000	1999
Tarrant County	$31,232	$30,143	$28,414
Texas	28,472	27,992	26,244
United States	30,413	29,760	27,880

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

Educational Facilities

Public education is provided principally by the Arlington Independent School District (the "AISD"), which overlaps all but a small portion of the City. The AISD has six senior high schools, twelve junior high schools, forty-nine elementary schools, and five alternative schools. Currently, a professional staff of approximately 4,146 serves a peak enrollment of 62,104 students.

The University of Texas at Arlington, founded in 1895, features a current enrollment of 23,821 and offers 183 degree programs at the baccalaureate, master and doctoral levels. The physical plant, located on a 392 acre campus, includes 99 academic and dormitory buildings.

Tarrant County College opened its Southeast Campus in Arlington during 1996. Enrollment at the 166-acre site features a current enrollment of approximately 8,425 students. The college has 352 employees. The college offers associate degrees in Arts, and Applied Sciences and various technical certificates.

Summarized below is information concerning the Arlington Independent School District's annual peak enrollment and the percentage changes for the last ten fiscal years.

Public School Enrollment
Arlington Independent School District

Fiscal Year	Peak Enrollment	Percentage Change
1994	49,156	1.54%
1995	50,492	2.72
1996	52,328	3.64
1997	53,757	2.67
1998	54,961	2.24
1999	56,234	2.32
2000	57,433	2.13
2001	59,342	3.32
2002	60,760	2.39
2003	62,104	2.21

Source: Arlington Independent School District.

Employment

Arlington Major Employers

Name	Type of Business	Number of Employees
Arlington Independent School District	Public Education	7,927
University of Texas at Arlington	Higher Education	4,417
Six Flags Over Texas	Amusement Park	3,200[(1)]
Americredit	Finance	3,000
General Motors	Automobile Assembly	2,958
City of Arlington	Municipality	2,367
Southwest Sports Group	Major League Baseball and Hockey	1,800[(1)]
Arlington Memorial Hospital	Medical Center	1,300
Providian Financial	Financial Services	1,200
Chase Bank Call Center	Banking Services	1,100
National Semiconductor	Semiconductor Manufacturer	1,100
Bell Helicopter Textron Inc.	Manufacturer	1,000

(1) Includes part-time and peak seasonal employees.

Source: Arlington Chamber of Commerce, and City of Arlington Finance Department. This information will continue to be disclosed as long as it is available from the Chamber of Commerce or other reliable sources.

As illustrated in the table below, Arlington has managed to maintain lower unemployment rates than the United States and the State of Texas. For 2002, the City's unemployment rate averaged 5.4 percent as compared to the 2002 U.S. rate of 5.8 percent and the 2002 Texas rate, of 6.3 percent.

Unemployment Rate
Annual Average Rates
1998 to 2002

	2002	2001	2000	1999	1998
Arlington	5.4%	3.6%	2.8%	2.7%	2.9%
Texas	6.3	4.9	4.3	4.6	4.8
United States............................	5.8	4.8	4.0	4.2	4.5

Source: U.S. Bureau of Labor Statistics.

Financial Institutions

There are twenty-eight commercial banks and savings and loan associations operating a total of 56 free standing and six in-store branches in the City.

Building Permits

During the calendar year 2002, the City issued 6,324 building permits with a total value of $504,117,143. Presented below is a table covering building permit activity for the last three calendar years:

	2002		2001		2000	
	Number	Value (000's)	Number	Value (000's)	Number	Value (000's)
Residence	1,753	$233,542	2,490	$260,026	2,191	$227,695
Duplex	16	1,631	9	874	8	847
(No. of Units)	(32)	-	(18)	-	(16)	-
Apartments	12	13,240	22	14,886	13	5,122
(No. of Units)	(285)	-	(285)	-	(0)	-
Commercial	414	121,161	445	119,092	525	200,493
Institutional	40	80,560	35	10,005	67	70,000
Alterations and Additions	190	34,373	224	11,054	229	39,622
Signs	1,082	2,103	1,168	2,338	1,193	2,392
Miscellaneous	2,817	17,507	3,534	34,166	3,602	30,696
Total	6,324	$504,117	7,927	$452,441	7,830	$572,867

Source: City Building Inspections Division.

INVESTMENTS

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council. Both state law and the City investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) Bonds of the United States or its agencies and instrumentalities, (2) direct Bonds of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage Bonds directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other Bonds, the principal of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, (5) Bonds of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, (6) bonds issued, assumed, or guaranteed by the State of Israel, (7) certificates of deposit issued by a state or national bank, a savings bank or a state or federal credit union, in each case domiciled in the State of Texas, that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or (ii) secured by Bonds that are described in clauses (1) through (6) above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates or (iii) in any other manner and amount provided by law for deposits of the City, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by Bonds described in clause (1) above and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) bankers' acceptances with the remaining term of 270 days or less, if the short-term Bonds of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in Bonds described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent; provided, however, that the City is not authorized to invest in the aggregate more than 15% of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in such no-load mutual funds, and (13) for bond proceeds, guaranteed investment contracts that have a defined termination date, are secured by Bonds of the United States or its agencies and instrumentalities in an amount at least equal to the amount invested under the contract, and are pledged to the City and deposited with the City or with a third party selected and approved by the City.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, and consistent with the operating requirements of the City, and yield the highest possible rate of return. Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest City funds without express written authority from the City Council or chief executive officer of the City.

Current Investments

The City's primary investment objective is to provide for the protection of principal with an emphasis on safety and liquidity. The City maintains a comprehensive cash management program that includes prudent investment of its available funds. Investment maturities are targeted to provide available cash for the operating requirements of the City.

As of March 31, 2003, the following percentages of the City's operating funds were invested in the following categories of investments:

Type of Investment	% Invested
U.S. Treasury Notes & Bills	49.6%
Federal Agencies	39.2
Statewide Pool	9.1
Money Market Account	2.1
Totals	100.0%

As of March 31, 2003, the weighted average maturity of the City's operating portfolio was 140 days and the market value of the operating portfolio was 100.12 percent of its book value.

SECTION FOUR: DEBT STRUCTURE AND CAPITAL IMPROVEMENT PROGRAM

DEBT STATEMENT

Pursuant to the Constitution and laws of the State of Texas and the Charter of the City, the City is authorized to issue general obligation bonds secured by an ad valorem tax on all property within its boundaries subject to local taxation. A tax rate limitation is imposed by the Home Rule Section of the Texas Constitution, Article XI, Section 5, that allows a maximum tax rate of $2.50 per $100.00 assessed valuation.

The following table details the ad valorem tax-supported debt of the City as of June 27, 2003:

Total Outstanding Tax-Supported Debt	$299,650,000
Bonds, Series 2003	41,930,000
Less Refunded Obligations	(17,840,000)
Total Tax-Supported Debt	323,740,000
Less Self-Supporting Debt[1]	15,110,238
Net Tax-Supported Debt	$308,629,762

[1] See "Debt Service Requirements -- Net Tax-Supported Debt."

Source: City Finance Department.

DEBT INFORMATION

Information on the City's indebtedness is presented in the following tables. Included is information on key debt ratios, rapidity of principal retirement and selected debt service schedules.

In addition to the currently outstanding ad valorem tax-supported debt previously issued by the City, the City has also issued certain combination ad valorem tax and revenue supported debt and has incurred contractual and other indebtedness and liabilities payable from ad valorem taxation. Additionally, the City has issued revenue bonds and other indebtedness payable from specific pledged revenues. Various other political subdivisions, which overlap all or a portion of the area of the City are also empowered to incur debt to be paid from revenues raised or to be raised through taxation.

Key Debt Ratios
Fiscal Years 1993-2002

Fiscal Year	Estimated Population[1]	Taxable Assessed Valuation Calendar Year[2]	Net Tax-Supported Debt Year Ended September 30[3]	Ratio of Net Tax-Supported Debt: Per Capita	Ratio of Net Tax-Supported Debt: Assessed Valuation
1993	271,325	$ 8,380,499,546	$ 209,638,000	$773	2.50%
1994	276,614	8,462,723,535	215,865,000	780	2.55
1995	281,180	9,121,092,236	225,751,000	803	2.48
1996	286,293	9,703,921,853	234,180,000	818	2.41
1997	289,315	10,180,990,795	248,949,000	860	2.45
1998	293,991	10,868,585,827	251,622,000	856	2.32
1999	309,859	11,415,146,297	268,633,000	867	2.35
2000	332,969 [4]	12,435,152,758	276,879,000	832	2.23
2001	339,215	13,513,378,507	286,398,601	844	2.12
2002	346,197	14,344,001,305	284,539,762	822	1.98

(1) Population estimates are based on percent of occupancy in available residences and census data. The method for estimating occupancy rates was revised beginning in 1999.
(2) Taxable assessed valuation is obtained from the certified value as of September of each tax year including minimum estimated value of property under protest.
(3) These figures do not include self-supporting debt.
(4) Actual 2000 Census population.

Source: City Finance Department.

Rapidity of Principal Retirement[1]
All General Obligation Debt

Maturing Within	Amount Maturing	Percent of Total Debt Outstanding
5 years	$128,465,000	39.7%
10 years	221,050,000	68.3
15 years	292,110,000	90.2
20 years	322,525,000	99.6

(1) As of June 27, 2003, including the Bonds, excludes the Refunded Obligations.

Source: City Finance Department.

DEBT SERVICE REQUIREMENTS

The following schedule sets forth the principal and interest requirements on the City's outstanding debt payable from ad valorem taxation pledged thereto.

General Obligation Bonds
Tax-Supported Debt Service Requirements

Fiscal Year Ending 9/30	Outstanding Bonds[1]		Series 2003 Bonds		Less Refunded Obligations		Total Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	
2003	$27,420,000	$ 7,580,229	$ -	$ -	$ -	$ (471,406)	$34,528,823
2004	27,480,000	13,766,795	1,750,000	2,004,625	(1,035,000)	(942,813)	43,023,607
2005	24,975,000	12,372,603	4,050,000	1,683,250	(2,280,000)	(893,131)	39,907,722
2006	22,870,000	11,130,721	4,865,000	1,592,125	(3,565,000)	(775,188)	36,117,658
2007	20,730,000	9,977,340	2,495,000	1,470,500	(1,290,000)	(590,648)	32,792,192
2008	19,750,000	8,942,239	3,690,000	1,408,125	(2,520,000)	(524,468)	30,745,896
2009	17,875,000	7,943,014	3,680,000	1,223,625	(2,520,000)	(391,185)	27,810,454
2010	16,480,000	7,053,297	1,215,000	1,039,625	0	(255,075)	25,532,847
2011	16,515,000	6,215,881	1,215,000	991,025	0	(255,075)	24,681,831
2012	15,990,000	5,376,031	1,215,000	942,425	0	(255,075)	23,268,381
2013	15,320,000	4,554,276	3,375,000	887,750	(2,230,000)	(255,075)	21,651,951
2014	14,355,000	3,778,165	2,335,000	719,000	(1,200,000)	(135,000)	19,852,165
2015	13,080,000	3,044,036	2,325,000	602,250	(1,200,000)	(67,500)	17,783,786
2016	11,855,000	2,385,593	1,215,000	486,000	0	0	15,941,593
2017	10,615,000	1,789,165	1,215,000	425,250	0	0	14,044,415
2018	8,505,000	1,251,627	1,215,000	364,500	0	0	11,336,127
2019	7,255,000	815,232	1,215,000	303,750	0	0	9,588,982
2020	4,515,000	440,147	1,215,000	243,000	0	0	6,413,147
2021	2,875,000	205,472	1,215,000	182,250	0	0	4,477,722
2022	1,190,000	59,500	1,215,000	121,500	0	0	2,586,000
2023	-	-	1,215,000	60,750	0	0	1,275,750
	$299,650,000	$108,681,363	$41,930,000	$16,751,325	$(17,840,000)	$(5,811,639)	$443,361,049

[1] As of June 27, 2003. Includes self-supporting debt.

Source: City Finance Department.

NET TAX SUPPORTED DEBT

Fiscal Year Ending 9/30	Outstanding General Obligation Debt[(1)]		Self Supporting Debt[(2)]		Net Tax Supported Debt
	Principal	Interest	Principal	Interest	Total
2003	$ 27,420,000	$ 7,108,823	$ 1,082,778	$ 859,173	$ 32,586,872
2004	28,195,000	14,828,607	1,089,006	794,872	41,139,729
2005	26,745,000	13,162,722	1,103,454	732,625	38,071,643
2006	24,170,000	11,947,658	610,000	568,121	34,939,537
2007	21,935,000	10,857,192	640,000	541,281	31,610,911
2008	20,920,000	9,825,896	670,000	512,481	29,563,415
2009	19,035,000	8,775,454	700,000	482,331	26,628,123
2010	17,695,000	7,837,847	735,000	450,831	24,347,016
2011	17,730,000	6,951,831	770,000	416,838	23,494,993
2012	17,205,000	6,063,381	805,000	380,262	22,083,119
2013	16,465,000	5,186,951	845,000	342,025	20,464,926
2014	15,490,000	4,362,165	890,000	301,888	18,660,277
2015	14,205,000	3,578,786	935,000	258,500	16,590,286
2016	13,070,000	2,871,593	980,000	211,750	14,749,843
2017	11,830,000	2,214,415	1,030,000	162,750	12,851,665
2018	9,720,000	1,616,127	1,085,000	111,250	10,139,877
2019	8,470,000	1,118,982	1,140,000	57,000	8,391,982
2020	5,730,000	683,147	0	0	6,413,147
2021	4,090,000	387,722	0	0	4,477,722
2022	2,405,000	181,000	0	0	2,586,000
2023	1,215,000	60,750	0	0	1,275,750
	$323,740,000	$119,621,049	$15,110,238	$7,183,978	$421,066,833

(1) As of June 15, 2003, except including the Bonds and excluding the Refunded Obligations.

(2) Includes $1,595,238 of the Permanent Improvement Refunding Bonds, Series 1993 (the "Series 1993 Refunding Bonds") which has historically been paid with hotel occupancy tax revenues and $13,515,000 Combination Tax and Revenue Certificates of Obligation, Series 1998, payable from a combination of hotel occupancy tax revenues and ad valorem taxes as described under "Hotel Occupancy Tax Certificates of Obligation" below. To the extent that such revenues are insufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax.

Source: City Finance Department.

Hotel Occupancy Tax Certificates of Obligation

The Combination Tax and Revenue Certificates of Obligation, Series 1998 (the "Certificates"), are currently outstanding as of June 15, 2003, in the aggregate principal amount of $13,515,000 and payable from (1) the proceeds of a continuing direct ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City, and (2) a portion of the revenues derived by the City from the hotel occupancy tax. The hotel occupancy tax presently is levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, as amended, and V.T.C.A., Tax Code, Chapter 351.

The Combination Tax and Revenue Certificates of Obligation, Series 1998, pledge the "Surplus Revenues" of the City's hotel occupancy tax levied and collected under authority of V.T.C.A., Government Code, Chapter 1504, and V.T.C.A., Tax Code, Chapter 351, remaining after payment of all current and future debt obligations payable in whole or in part from the City's hotel occupancy tax receipts. The following excerpt from the ordinance authorizing the Combination Tax and Revenue Certificates of Obligation, Series 1998, describes the method of payment:

"The amount of taxes to be provided annually for the payment of principal of and interest on the Certificates shall be determined and accomplished in the following manner:

(a) the City's annual budget shall reflect (i) the amount of debt service requirements to become due on the Certificates in the next succeeding Fiscal year of the City, (ii) the amount on deposit in the Interest and Sinking Fund, as of the date such budget is prepared (after giving effect to any payments required to be made during the remainder of the then current Fiscal year) and (iii) the amount of Surplus Revenues estimated and budgeted to be available for the payment of such debt service requirements on the Certificates during the next succeeding Fiscal year of the City.

(b) The amount required to be provided in the succeeding Fiscal year of the City from ad valorem taxes shall be the amount, if any, the debt service requirements to be paid on the Certificates in the next succeeding Fiscal year of the City exceeds the sum of (i) the amount shown to be on deposit in the Interest and Sinking Fund (after giving effect to any payments required to be made during the remainder of the then current Fiscal year) at the time the annual budget is prepared, and (ii) the Surplus Revenues shown to be budgeted and available for payment of said debt service requirements.

(c) Following the final approval of the annual budget of the City, the governing body of the City shall, by ordinance, levy an ad valorem tax at a rate sufficient to produce taxes in the amount determined in paragraph (b) above, to be utilized for purposes of paying the principal of and interest on the Certificates in the next succeeding Fiscal year of the City."

The City also will use hotel occupancy taxes to pay a portion of the debt service on the Series 1993 Refunding Bonds. Based on a calculation of the pro rata share of debt service on the Series 1993 Refunding Bonds, the hotel occupancy tax will provide $2,118,593 of the total debt service on the Series 1993 Refunding Bonds from October 1, 2002 through fiscal year 2005.

In the fiscal year 2002-03 Budget, the City estimated that $4,675,000 of hotel occupancy tax will be received by the City during fiscal year 2002-03 which amount exceeds the $1,941,951 of debt service requirements on Combination Tax and Revenue Certificates of Obligation, Series 1998, and the allocable portion of Series 1993 Refunding Bonds for fiscal year 2003. As shown in the section hereof entitled "Tax Data - Hotel Occupancy Tax Receipts," hotel occupancy tax revenues in the fiscal years 1998 through 2002 have been more than adequate to pay debt service requirements on the Certificates and Series 1993 Refunding Bonds.

Tax Adequacy

The following analysis as of June 27, 2003 include Bonds, exclude Refunded Obligations, assumes 98 percent collection of ad valorem taxes levied against the City's 2002 Net Assessed Valuation, and future hotel occupancy tax collections at a level sufficient to pay debt service on the Combination Tax and Revenue Certificates of Obligation, Series 1998, and the allocable portion of the Series 1993 Refunding Bonds.

Average Annual Requirement (2004/2023)	$19,423,998
A tax rate of $.1382 per $100 assessed valuation produces	19,426,942
Average Annual Requirement (2004/2013)	29,234,341
A tax rate of $.2080 per $100 assessed valuation produces	29,238,812
Maximum Annual Requirement (2004)	41,139,729
A tax rate of $.2927 per $100 assessed valuation produces	41,145,194

SHORT-TERM BORROWING

The City does not borrow on a short-term basis for working capital purposes. The City's policy is to maintain its fund balances at levels that provide sufficient cash flow for working capital purposes.

ESTIMATED OVERLAPPING DEBT

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities within which the City is located or with which taxable property is jointly levied against, and the estimated percentages and amounts of such indebtedness attributable to taxable property within the City. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance purposes. Furthermore, certain of the entities listed may have issued additional obligations since the date stated in the table, and such entities may have programs requiring the issuance of substantial additional amounts of indebtedness, the amount of which cannot be determined.

Overlapping Debt
(amounts in thousands)

Taxing Jurisdiction	Amount(1)	As of	Percent(2)	Amount
City of Arlington (3)	$308,630	6-15-03	100.00 %	$ 308,630
Arlington Independent School District	576,135	8-31-02	78.16	450,307
Tarrant County	162,590	9-30-02	18.37	29,868
Tarrant County Junior College District	78,213	8-31-02	18.37	14,368
Tarrant County Hospital District	44,605	9-30-02	18.37	8,194
Kennedale Independent School District	15,675	8-31-02	20.91	3,278
Mansfield Independent School District	203,769	8-31-02	11.66	23,759
Hurst-Euless-Bedford I.S.D.	243,940	8-31-02	3.90	9,514
Total Direct and Overlapping Debt (4)				$847,918
Overlapping debt as a percent of 2002 assessed value		5.9%		
Overlapping debt per capita		$2,449		
Per capita overlapping debt as a percent of 2001 Tarrant County per capita personal income		7.8%		

(1) Source: Net debt outstanding per representative of each jurisdiction.
(2) Source: Texas Municipal Reports, compiled and published by Municipal Advisory Council of Texas.
(3) See "Debt Statement."
(4) Substantially all of the City's residents are located within the Arlington I.S.D. Although Fort Worth I.S.D. also has taxing jurisdiction within a portion of the City, reference to this district has been intentionally omitted because less than 1 percent of its total debt is paid by residents of the City.

CAPITAL IMPROVEMENT PROGRAM

The City's Capital Improvement Program ("CIP") provides for multi-year improvements to the City's public facilities along with the means of financing these improvements. The City's CIP, prepared annually, is primarily driven by recent bond election results. The City's most recent permanent improvement bond election was held on February 1, 2003. Six propositions were on the ballot totaling $103,485,000. Five propositions on the ballot totaling $22,870,000 were approved by the voters. The five approved propositions were animal services center ($2,665,000), police ($10,935,000), fire ($4,935,000), storm drainage and erosion control ($1,900,000), and libraries ($2,435,000). The $80,615,000 proposition for street and transportation was not approved by voters. Combined with the authorized but unissued bonds from prior elections, and giving effect to the issuance of the Bonds, the City has $42,765,000 in unissued permanent improvement bonding authority.

The approved CIP is the result of a process that balances the need for public facilities against the fiscal capability of the City to provide for those needs. The City's tax-supported CIP for fiscal year 2002-03 is budgeted at $27,240,000.

The current issue includes $14,500,000 for Street and Transportation projects, $4,040,000 for Park projects, $3,335,000 for Fire projects, $2,270,000 for Police projects, $1,270,000 for Library projects, and $325,000 for Animal services. The City intents to issue $1,500,000 in certificates of obligation (the "Planned 2003 Certificate Sale") for park and recreation purposes on July 29, 2003.

Capital Improvement Program
Bond Elections (1993, 1997, 1999 and 2003)
and Planned 2003 Certificate Sale
(amounts in thousands)

Amount Sources	Estimated Total Costs	Total Financing To Date	Current Issue	Total Amount Remaining	Percent of Total Remaining
Permanent Improvement Bonds	$162,495	$93,990	$25,740	$42,765	100.0%
2003 Certificates of Obligation	1,500	-	1,500	-	-
Total	$163,995	$93,990	$27,240	$42,765	100.0%

Capital Improvement Program
Bond Elections (1993, 1997, 1999 and 2003)
and Planned 2003 Certificate Sale
(amounts in thousands)

Uses	Estimated Total Costs	Financing To Date	Current Issue	Total Amount Remaining	Percent of Total Amount Remaining
Library	$ 11,075	$ 6,075	$ 1,270	$ 3,730	8.7 %
Parks and Recreation	37,860	27,545	4,040	6,275	14.7
Streets, Storm Drainage and Transportation	85,520	54,350	14,500	16,670	39.0
Police	10,935	-	2,270	8,665	20.3
Fire	12,540	6,020	3,335	3,185	7.4
Animal Control	2,665	-	325	2,340	5.5
Erosion Control	1,900	-	-	1,900	4.4
2003 Certificates of Obligation	1,500	-	1,500	-	-
Total	$163,995	$ 93,990	$ 27,240	$ 42,765	100.0%

SECTION FIVE: FINANCIAL INFORMATION

BASIS OF ACCOUNTING AND ACCOUNTING STRUCTURE

The accounting records of the City are maintained on the modified accrual basis of accounting for the General Fund, Special Revenue Funds, Capital Projects Funds and Trust and Agency Funds and on the accrual basis of accounting for the Enterprise Funds and the Internal Service Funds. In general, under the modified accrual basis of accounting, revenues are recorded as received in cash except for material revenues considered to be both measurable and available to finance current year appropriations, which are recognized as revenue when earned. Expenditures are recorded in the period in which liabilities are incurred. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when liabilities are incurred without regard to receipts or disbursements of cash. See "Notes to Financial Statements" in Appendix B for a more detailed discussion of the City's accounting policies.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Arlington for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended September 30, 2002. During 1986, GFOA renamed the Certificate Program to better reflect its purpose. Under the former name, GFOA first awarded a Certificate of Conformance to the City for its CAFR for the year ended April 30, 1966 and then annually from 1977 to 1999. The City has also received GFOA's Award for Distinguished Budget Presentation for fiscal years 1986 through 2002.

ACCOUNTING STANDARDS

In fiscal year 2002, the City adopted three new statements of financial accounting standards and one new interpretation issued by the Governmental Accounting Standards Board (GASB):

Statement No. 34 (as amended by Statement No. 37) represents a very significant change in the financial reporting model used by state and local governments. Statement No. 34 requires government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net assets and statement of activities. Significantly, the City's statement of net assets includes both noncurrent assets and noncurrent liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. The accrual basis of accounting is utilized by proprietary fund types and the pension trust fund. The following major funds are used by the City:

Governmental Funds

The following is a description of the Governmental Funds of the City:

General Fund accounts for several of the City’s primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds. Street capital project fund accounts for the financing and acquisition of right of way and construction of streets and related facilities. Funds are provided primarily through bond sales, and interest earnings. Other Governmental Funds is a summarization of all of the non-major governmental funds.

Proprietary Funds

The following is a description of the major Proprietary Funds of the City:

Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and Bonds under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund. Sanitary Landfill Fund accounts for the operations of the City's landfill. Customers are billed monthly at a rate sufficient to cover the cost of providing such service.

Other Fund Types

The City additionally reports for the following Fund types:

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. Agency Funds are used to account for assets held by the City in an agency capacity for individuals, local law enforcement agencies or developers. Pension Trust Fund is used to account for the accumulation of resources to be used for the retirement benefit payments to employees of the City.

Component Units

Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component Units discretely presented include the Arlington Sports Facilities Development Authority, Inc., the Arlington Housing Authority, the Arlington Housing Finance Corporation, the Arlington Convention & Visitors Bureau, Inc., and the Arlington Industrial Development Corporation.

CERTAIN OPERATIONS OF THE GENERAL FUND

The General Fund of the City is that accounting entity which is used to account for all transactions which are not accounted for in another fund and which, specifically, receives all revenues and records all expenditures relating to the ordinary operations of general government. Other major funds of the City are the Special Revenue Funds, Capital Project Funds, the Enterprise Funds, and the Debt Service Funds.

Summaries for fiscal years 1998 to 2002 have been compiled from the Comprehensive Annual Financial Reports of the City, which were examined by the City's independent auditors. These summaries should be read in conjunction with their related financial statements and notes.

Consolidated Financial Statements-General Fund
Fiscal Year Ended September 30
(amounts in thousands)

	2002	2001	2000	1999	1998
Beginning Fund Balance	$21,661[1]	$18,221	$19,095	$15,264	$11,461
Revenues					
Ad Valorem Taxes	46,026	40,593	36,522	34,840	31,573
Sales Tax	41,173	44,436	43,384	39,130	37,573
Other Taxes	3,649	3,487	3,247	3,039	2,918
Franchise Fees	29,635	31,201	26,639	23,187	21,422
Service Charges	5,648	4,822	3,551	4,352	4,866
Interest	803	1,241	1,222	1,023	678
All Other	15,522	10,283	9,036	9,010	7,694
Total Revenues	142,456	136,063	123,601	114,581	106,724
Expenditures					
Total Expenditures	144,316	133,496	127,280	113,833	105,840
Net Revenues Over (Under) Expenditures	(1,860)	2,567	(3,679)	748	884
Operating Transfers	906	(1,129)	2,805	3,083	2,919
Ending Fund Balance	$20,707	$19,659	$18,221	$19,095	$15,264

[1] Restated Fund Balance due to reclassification of prior year liabilities.

For the fiscal year ended September 30, 2002, the General Fund had revenues and transfers lower than expenditures by $954,000, or 0.66 percent of General Fund revenues, leaving a General Fund balance at September 30, 2002, of $20,707,000. The following table presents a comparison of the City's General Fund balance for fiscal years 1998 to 2002.

General Fund Balance
Fiscal Year Ended September 30
(amounts in thousands)

	2002	2001	2000	1999	1998
General Fund Balance:					
Reserved for					
Encumbrances	$ 1,526	$ 1,379	$ 1,129	$ 1,432	$2,381
Inventory	279	336	489	508	549
Prepaids	48	24	32	32	69
Infrastructure Maintenance	-	-	350	1,930	-
Park Acquisition	-	-	-	500	-
Working Capital	12,195	11,389	11,335	10,835	8,189
Utility Rate Case	500	500	500	477	502
Special Transportation	-	-	-	816	902
Net Increase in Fair Value	-	-	-	-	2
Unreserved					
Designated for Telecommunications	754	357	195	194	299
Designated for Subsequent					
Years' Expenditures	3,429	2,633	2,633	2,371	2,371
Arbitrage	824	-	-	-	-
Compensated absences	1,152	-	-	-	-
Undesignated	-	3,041	1,551	-	-
Total General Fund Balance	$20,707	$19,659	$18,221	$19,095	$15,264
General Fund Balance as a Percent of General Fund Expenditures	14.35%	14.73%	14.32%	16.77%	14.42%

Source: Fiscal Year 1998 to 2002 Comprehensive Annual Financial Reports.

DEBT SERVICE FUND BUDGET

Fiscal Year 2002-2003
(amounts in thousands)

Beginning Fund Balance	$ 1,747
Property Tax Revenue	38,795
Interest Revenue	530
Transfers In (1)	3,355
Debt Service Expenditures	(42,621)
Estimated Ending Fund Balance	$ 1,806

(1) Includes transfers to the Debt Service Fund from the Convention and Event Services Fund, Park Performance Fund, Landfill Fund, and Water and Wastewater Fund.

Source: Fiscal Year 2003 Budget and Fiscal Year 2002 CAFR.

CURRENT OPERATING BUDGET

On September 17, 2002, the City Council adopted a total General Fund Budget (or "Budget") for fiscal year 2003 with expenditures of $301,792,206. The adopted General Fund Budget reflects a property tax rate of $0.6340/$100.

The adopted Budget for fiscal year 2003 maintains core services levels and programs within tight financial constraints. The adopted Budget added 11 new positions and eliminated 23 positions for a net reduction of 12 positions. No change in compensation was included in the adopted Budget. The overall value of taxable property in the City increased by 6.1 percent, from $13.513 billion in calendar year 2001 to $14.344 billion in calendar year 2002. The adopted Budget authorizes City government personnel of 2,380 full-time positions.

Current projections for General Fund revenues are $5.4 million below budgeted General Fund revenues for fiscal year 2003, primarily due to lower than anticipated sales tax revenues. Accordingly, General Fund expenditure reductions estimated at $5.4 million have been implemented for the current fiscal year.

The following table shows the City's estimated revenues and budgeted expenditures for fiscal year 2003, as reported in the adopted Budget.

Estimated Revenues and Budgeted Expenditures
Fiscal Year 2003 Budget [(1)]
(amounts in thousands)

	Fiscal Year 2003 Budget	Percent of Fiscal Year 2003 Budget
REVENUES		
Property Taxes	$ 90,882	29.4%
Sales Tax	41,578	13.4
Other Taxes	1,462	0.5
Licenses and Permits	3,883	1.3
Utility Franchise Fees	30,907	10.0
Fines and Forfeitures	7,062	2.3
Leases and Rents	3,456	1.1
Services Charges	13,952	4.5
Miscellaneous Revenues	664	0.1
Water and Sewer Fund Revenues	89,818	29.0
Convention & Event Services Fund Revenues	7,425	2.4
Sanitary Landfill Fund	5,799	1.9
Street Maintenance Fund	5,126	1.7
Park Performance Fund	7,311	2.4
Total Revenues	$309,325	100.0%
EXPENDITURES		
General Government	$ 8,084	2.6%
Police	57,329	18.4
Fire	31,050	10.0
Neighborhood Services	4,918	1.6
Planning and Development Services	3,742	1.2
Parks and Recreation	13,760	4.4
Transportation/Engineering Services	13,399	4.3
Library	5,180	1.7
Administrative and Support Services	18,574	6.0
Water and Sewer Fund	78,095	25.0
Convention & Event Services Fund	5,744	1.8
Sanitary Landfill Fund	4,799	1.5
Park Performance Fund	6,957	2.2
Street Maintenance Fund	7,540	2.4
Debt Service	42,621	13.7
Transfers (Net)[(2)]	10,053	3.2
Total Expenditures	$311,845	100.0%

[(1)] All funds combined.
[(2)] $8,500 of Transfers (Net) is a contribution from the Water and Wastewater Operating Fund for Water and Wastewater System capital improvements.

Source: Fiscal Year 2003 Budget.

GENERAL FUND REVENUES AND EXPENDITURES

The General Fund is the primary operating fund maintained by the City to account for revenue derived from City-wide ad valorem taxes, other local taxes, licenses, fees, permits, and certain other miscellaneous revenues. General Fund expenditures are the cost of general City government. The following is a discussion of the General Fund revenue structure and major classifications of General Fund expenditures.

TAX DATA

General

A major source of operational revenue and funds for tax-supported debt service payments is the receipts from ad valorem taxation. The following is a recapitulation of (1) the authority for taxation, including methodology, limitations, remedies and procedures; (2) historical analysis of collection and trends of tax receipts and provisions for delinquencies; and (3) an analysis of (a) the base, (b) the principal taxpayers, and (c) other ad valorem taxation that may compete with the City's tax collections. Additionally, sales tax and hotel occupancy tax authority and collections are described.

Authority for Ad Valorem Taxation

Article XI, Section 5 of the Texas Constitution, applicable to cities of more than 5,000 population, limits the ad valorem tax rate to $2.50 per $100 assessed valuation for all city purposes and makes no allocation of such tax rate between debt service requirements and expenses of general city government. The City operates under a Home Rule Charter that adopts these provisions of the Constitution. For fiscal year 2003, the Council levied a tax rate equal to $0.6340 per $100 assessed valuation of which $0.2720 was allocated to pay debt service on outstanding tax-supported bonds and notes. See "Tax Rate Distribution."

Truth-in-Taxation Limitation

The effective tax rate is the rate that will produce the same amount of operating revenue that the City levied the prior year on the same property. If the tax rate adopted for the next succeeding fiscal year exceeds the effective tax rate by more than eight percent, the qualified voters of the City may petition for an election to determine whether to limit the increase of the tax rate to no more than eight percent. The City is required to hold public hearings to permit voter discussion should the proposed tax rate levy taxes in excess of the amount levied the prior fiscal year.

Property Subject to Taxation

All real property and tangible personal property in the City is subject to taxation except for certain mandated and discretionary exemptions granted pursuant to State law and the Property Tax Code. The Property Tax Code mandates exemption of public property, property exempt by federal law from ad valorem taxes, household goods, personal effects of an individual, and certain property of religious and charitable organizations, schools, and disabled veterans. The Property Tax Code authorizes cities to exempt the residential homestead of those over 65 years of age and the disabled. The Council currently exempts up to $60,000 of the appraised value of such residential homesteads. The 2002 tax rolls reflect the Council granting persons 65 years of age and older, disabled persons and disabled veterans exemptions totaling $623,227,827.

Article VIII, Section 1-b of the Texas Constitution provides the City with the authority to exempt a percentage of the market value of residential homesteads. The percentage may not exceed 20 percent in 2002 and each subsequent year. Where an ad valorem tax has previously been pledged for the payment of debt, the Council may continue to levy and collect the tax against the value of the exempt homesteads until the debt is discharged if the cessation of the levy would impair the obligation. The Council granted 20 percent residential homestead exemptions on the 2002 tax roll, which totaled $1,481,255,613, or 10.3 percent of the 2002 assessed valuation. In addition, $72,732,165 of value was reduced from the 2002 tax rolls in accordance with State law to reflect value of agricultural land based upon production rather than market value.

Section 23.83 of the Property Tax Code allows taxes to be deferred on property that is restricted to scenic use. Deferrals were first claimed under this section in 1990. The 2002 tax roll reveals a value loss of $2,593,148 due to scenic deferrals.

Chapter 312 of the Property Tax Code allows the Council to designate reinvestment zones and to enter into tax abatement agreements with property owners within these zones. The abatement value loss on the 2002 Tax Roll is $509,488,606. A schedule of abated values for the 2002 tax roll by property owners is as follows:

Property Owner	2002 Abatement Value
General Motors	$ 288,077,093
National Semiconductor	66,703,412
Doskocil Manufacturing	34,210,444
Americredit	18,892,918
Chase Bank	17,283,405
Providian	13,173,290
Primeco	12,512,959
Americredit 2001	11,381,705
Prologis/Mackie	11,365,971
Aetna	8,067,518
Lear Operations	5,353,861
Mackie Automotive	5,202,168
Office Depot	4,098,286
Eden Road Investments	4,050,000
Americredit Leases	3,413,135
Primera	3,311,087
Lamar Ltd.	2,391,354
Total	$509,488,606

With the passage of Proposition 5 on November 7, 1989, the State Constitution was amended to allow for the taxation of temporarily located inventory on a local option basis. To continue taxation of this so called "freeport" property, the governing body of a taxing entity, such as the Council, was required to take action prior to January 1, 1990. The Council adopted an ordinance, which allowed for the continued taxation of "freeport" property for 1990 and subsequent years. On January 13, 1998, the Council repealed the aforementioned ordinance, which has the effect of exempting “freeport” property from taxation effective January 1, 1999. This exemption is irrevocable under current State law. The amount of "freeport" assessed value subject to exemption for the 2002 tax roll was $108,824,071.

Tax Increment Financing District

The City Council adopted an ordinance on November 3, 1998, establishing a tax increment financing district (the “TIF District”) encompassing approximately 533 acres in the City’s downtown area. The TIF District took effect on January 1, 1999 and will terminate on December 31, 2018. The City Council can terminate the TIF District at an earlier date by subsequent ordinance. The tax increment base will be the total net appraised value of all taxable property located in the reinvestment zone on January 1, 1998. The TIF District has a nine-member board of directors, five appointed by the City of Arlington and four members appointed by the other taxing jurisdictions. The board of directors shall prepare and adopt a project plan and reinvestment zone financing plan for the TIF District and submit such plans to the City for its approval. All eligible tax jurisdictions are participating for the full amount of their maintenance and operations portion of their respective tax rates. The tax increment payments for all participating jurisdiction for FY 2002 were $372,040.

Appraisal of Taxable Property

The Property Tax Code established a county-wide appraisal district in each county of the State. Each appraisal district assumed the responsibility of appraising all taxable property and preparing and certifying the tax rolls for each unit of government that levies ad valorem tax in that county. Under the 1981 amendment to the Property Tax Code, the City is now entitled to vote, in the proportion to its taxes levied in Tarrant County, in selecting the governing board of the appraisal district. A city, or other taxing unit, may challenge the appraisals assigned to property within its jurisdiction under certain limited circumstances. These entities can also sue the appraisal district to compel it to comply with the Property Tax Code.

The City's 2002 appraisal roll was prepared and certified by the Tarrant Appraisal District's Chief Appraiser and Appraisal Review Board. Such appraisal rolls are used by the City in establishing its tax rate. The City Council is responsible for setting the rate, levying and collecting the taxes. All taxable property in the City was valued on the City's tax roll at 100 percent of its estimated market value as of January 1, 2002. The rate of taxation was determined and set by the Council based upon the January 1, 2002 valuation. Taxes are due October 1 of the subject year and become delinquent after January 31 of the following year, except for a split payment option. Under the split payment option, adopted by the City beginning with the 2002 tax year, taxpayers can make one-half payment prior to December 1, and the final one-half payment prior to July 1 of the following year without penalty or interest. As of October 1, 2002 ad valorem taxes for the City are being collected by the Tarrant County Tax Assessor-Collector.

City's Rights in the Event of Tax Delinquencies

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

Tax Revenue

The following table shows the City's principal tax revenues by source for each of the last five fiscal years. Growth in total tax revenues has averaged 6.2 percent per year over the last five years.

Principal Tax Revenue by Source
Fiscal Years 1998 to 2002
(amounts in thousands)

Fiscal Year	General Fund Ad Valorem Taxes	General Sales Tax	Franchise Fees	Hotel Occupancy Tax	Other Taxes	Total
1998	$31,573	$37,573	$21,422	$4,519	$2,918	$ 98,005
1999	34,840	39,130	23,187	4,525	3,039	104,721
2000	36,522	43,384	26,639	4,590	3,247	114,382
2001	40,593	44,436	31,201	4,676	3,487	124,393
2002	46,026	41,173	29,635	4,118	3,649	124,601

Source: City Finance Department.

The following table sets forth the assessed value of all taxable property less exemptions in the City for each of its five most recent fiscal years. Tax-exempt properties owned by Federal and State governments, churches, and schools, totaling $1,816,527,603 for tax year 2002, are not included in the table. The Tarrant Appraisal District certified appraisal of taxable property less exemptions as of January 1, 2002, is $14,344,001,305. This value is obtained from the certified taxable value as of September of each year including minimum estimated value of property under protest.

Historical Taxable Assessed Value[1]
Tax Years 1998 to 2002

Tax Year	Real Property Taxable Assessed Value	Percentage Change From Prior Year	Personal Property Taxable Assessed Value	Percentage Change From Prior Year	Total Taxable Assessed Value[2]	Percentage Change From Prior Year
1998	$ 8,905,619,207	7.82%	$1,962,966,620	2.19%	$10,868,585,827	6.75%
1999	9,466,395,471	6.30	1,948,750,826	(0.72)	11,415,146,297	5.03
2000	10,344,385,656	9.27	2,090,767,102	7.29	12,435,152,758	8.94
2001	11,304,546,333	9.28	2,208,805,174	5.65	13,513,378,507	8.67
2002	12,099,808,133	7.03	2,244,193,172	1.60	14,344,001,305	6.15

(1) Real and personal property is assessed at 100 percent of fair market value. The Tarrant Appraisal District reappraises all property annually. Total taxable assessed value excludes abated value and exemptions.

(2) Taxable Assessed Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.

Source: City Finance Department.

Tax Rate Distribution
Tax Years 1998 to 2002

	2002	2001	2000	1999	1998
General Fund	$.3620	$.3429	$.3276	$.3200	$.3200
Debt Service Fund	.2720	.2911	.3064	.3180	.3180
Total	$.6340	$.6340	$.6340	$.6380	$.6380

Source: City Finance Department.

Collection Ratios
Tax Years 1998 to 2002

Tax Year	Taxable Assessed Valuation[1]	Tax Rate	Tax Levy	% Collections[2] Current Year	% Collections[2] Prior Years	Fiscal Ending
1998	$10,868,585,827	0.6380%	$69,341,578	98.95%	100.18%	9-30-99
1999	11,415,146,297	0.6380	72,828,633	98.48	100.48	9-30-00
2000	12,435,152,758	0.6340	78,838,868	98.56	100.82	9-30-01
2001	13,513,378,507	0.6340	85,674,820	98.30	99.92	9-30-02
2002	14,344,001,305	0.6340	90,940,968	94.59	95.57	9-30-03

(1) Taxable Assessed Valuation is the certified roll as of September of each year including minimum estimated value of property under protest.

(2) Prior years collections include current year collections, prior year delinquent collections and all penalty and interest collections. Tax Year 2002 collections are as of April 30, 2003.

Source: City Finance Department.

Analysis of Delinquent Taxes
as of September 30, 2002

Tax Year	Tax Levy	Uncollected	Percentage of Levy
2001	$85,674,820	$1,226,334	1.43%
2000	78,838,868	497,028	.63
1999	72,828,633	340,130	.47
1998	69,341,578	252,981	.36
1997	64,954,721	237,803	.37
1996	62,105,100	216,021	.35
1995	58,374,990	133,734	.23
1994	54,305,297	148,732	.27
1993	53,777,666	165,660	.31
1992	53,433,856	177,511	.33
1991	53,404,759	165,881	.42
Prior to 1991	N/A	628,172	N/A
		$4,189,987	

Source: City Finance Department.

Tax Base Distribution

	2002 Tax Year	2001 Tax Year	2000 Tax Year	1999 Tax Year	1998 Tax Year
Residential	59.5%	57.1%	56.6%	57.0%	56.0%
Commercial, Industrial, Retail	37.8	39.8	39.9	39.3	40.4
Undeveloped	2.7	3.1	3.5	3.7	3.6

Source: City Finance Department.

Top Ten Taxpayers

Name	Type of Business	Assessed Valuation 2002	2001	2000
General Motors[1] Corporation	Auto Assembly	$204,781,888	$216,054,181	$141,891,278
Oncor Electric Delivery Co.	Public Utility	151,139,100	147,999,596	136,355,384
Southwestern Bell Telephone Co.	Public Utility	101,792,723	92,386,330	92,600,768
Texas Flags/Six Flags Over Texas	Amusement Park	75,956,198	82,346,291	81,471,191
Parks at Arlington LP	Real Estate Holdings	75,736,199	67,609,232	66,931,868
National Semiconductor[1]	Computer Chip Mfg.	63,607,152	54,149,357	46,453,506
Don Davis	Auto Dealership & Real Estate Holdings	49,508,130	56,411,757	56,498,741
EQR - Limited Partnership	Real Estate Holdings	44,446,796	49,727,579	47,694,549
Chase Bank of Texas	Banking	43,987,200	42,082,813	-
TCI Public Utility	Public Utility	37,597,754	-	-
Dillard Department Stores	Retail Stores	-	34,885,799	36,488,411
Doskocil Manufacturing	Pet, Hunting & Fishing Products	-	-	31,416,286
Total		$848,553,140	$843,652,935	$737,801,982
Percentage of the above ten taxpayers of total tax rolls.		5.91%	6.24%	5.93%

(1) See Tax Data: Property Subject to Taxation and Assessed Value of Tax Abatement Agreements for 2002 abatement values.

Source: City Finance Department.

Tax Abatements

Assessed Value of Tax Abatement Agreements

Tax Year	Total Assessed Valuation Abated
1993	$ 82,097,282
1994	106,939,169
1995	132,913,633
1996	191,058,280
1997	257,260,096
1998	369,707,519
1999	377,017,981
2000	359,001,468
2001	561,859,024
2002	509,488,606

Source: City Finance Department.

Municipal Sales Tax

The City has adopted the provisions of Sections 321.101 and 321.103 of the Texas Tax Code, which grants the City the power to impose and levy a one percent sales tax for general purposes of the City. The collection of an additional one-half cent sales tax levied for the purpose of paying bonds issued in connection with the construction of The Ballpark in Arlington was terminated effective December 1, 2001, because such bonds have been paid in full. On September 14, 2002, an election to adopt an additional one-quarter cent city sales and use tax for municipal street maintenance as permitted under Chapter 327 of the Texas Tax Code was held and the additional one-quarter cent sales and use tax was approved. The additional one-quarter cent sales and use tax became effective on January 1, 2003. The Comptroller of Public Accounts of the State of Texas, after the deduction of a two percent service fee, currently remits monthly the City's portion of sales tax collections to the City. The statute provides the Comptroller must remit at least twice annually. Revenue from sales tax levied for general purposes of the City may not be pledged, under the applicable statutes, to the payment of debt service of the City's debt bonds.

Fiscal Year Ended	Sales Tax Receipts	Tax Year	Ad Valorem Tax Levy	Sales Tax as a % of Ad Valorem Tax Levy	Population Estimate	Per Capita Sales Tax Collection
9-30-98	$37,572,823	1997	$64,954,721	58%	293,991[(1)]	$127.80
9-30-99	39,130,327	1998	69,341,578	56	309,859	126.28
9-30-00	43,383,927	1999	72,828,633	60	332,969 [(2)]	130.29
9-30-01	44,436,164	2000	78,838,868	56	339,215	131.00
9-30-02	41,172,479	2001	85,674,820	48	346,197	118.93

(1) The method for estimating population was revised by the City Planning and Development Services Department in 2000.

(2) Actual 2000 Census population.

Source: City Finance Department.

Hotel Occupancy Tax Receipts

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs $2 or more per day and is ordinarily used for sleeping to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Section 351.103(b) of the Texas Tax Code states that the Hotel occupancy tax revenue allocated by the municipality cannot exceed is percent for the encouragement , promotions and application of the arts and cannot exceed is percent for historical preservation project or activities. The City has levied a Hotel occupancy tax of seven percent since 1983.

The Series 1993 Refunding Bonds and the Combination Tax and Revenue Certificates of Obligation, Series 1998 are payable in part from the Hotel occupancy tax. Set forth below are the revenues received by the City from the Hotel occupancy tax for the last five years.

Fiscal Year Ended	Hotel Occupancy Tax Receipts
9-30-98	$4,519,249
9-30-99	4,525,015
9-30-00	4,590,234
9-30-01	4,675,990
9-30-02	4,118,312

Source: City Finance Department.

PENSION FUND

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the statewide Texas Municipal Retirement System (TMRS), one of over 758 administered by TMRS, an agent multiple-employer public employee retirement system. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for TMRS. That report may be obtained by writing TMRS, P.O. Box 149153, Austin, Texas, 78714 or by calling 512-476-7577.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100 percent, 150 percent, or 200 percent) of the employee's accumulated contributions. In addition, the City can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

Members can retire at ages 60 and above with 10 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years, but he must leave his accumulated contributions in the plan. If a member withdraws his own money, he is not entitled to the employer-financed monetary credits, even if he was vested. The plan provisions are adopted by the City Council, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

The contribution rate for the employees is 7 percent, and the City matching percent is currently 200 percent, both as adopted by the City Council. Under the state law governing TMRS, the City contribution rate is annually determined by the actuary. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year open amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased unfunded actuarial liability is to be amortized over a new 25-year period. Currently, the unfunded actuarial liability is being amortized over the 25-year period, which began in January 1997. The unit credit actuarial cost method is used for determining the City contribution rate. Contributions are made monthly by both the employees and the City. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

For 2002, the City’s annual pension cost of $14,098,512 was equal to the City’s required and actual contributions. The required contribution was determined as part of the December 31, 2001, actuarial valuation using the unit credit actuarial cost method. The actuarial assumptions included an (a) 8 percent investment rate of return (net of administrative expenses), (b) no projected salary increases, (c) no cost of living adjustment, and (d) no inflation rate adjustment. The actuarial value of assets is adjusted cost for bonds (original cost adjusted for amortization of premium or accrual of discount) and original cost for short-term securities and stocks, which is the same as book value. The City’s unfunded actuarial accrued liability is being amortized over a constant 25-year open amortization period as a level percentage of payroll.

The following table discloses three-year historical trend information relating to the TMRS plan.

Fiscal Year Ending	**Annual Pension Cost (APC)**	**Percentage of APC Contribution**	**Net Pension Obligation**
9/30/00	$12,733,270	100%	-
9/30/01	12,884,047	100%	-
9/30/02	14,098,512	100%	-

The following table discloses certain three-year historical trend information presenting the City's progress in accumulating sufficient assets to pay benefits when due (amounts expressed in thousands, except for percentages):

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Percent	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/99	$252,879	$312,412	$59,533	80.9%	$ 92,137	64.6%
12/31/00	267,933	333,403	65,469	80.4%	100,657	65.0%
12/31/01	290,670	363,021	72,351	80.1%	110,577	65.4%

Source: Fiscal Year 2002 Comprehensive Annual Financial Report.

SELF INSURANCE

As of November 1, 1986, the City became fully self-insured for General, Auto, Public Officials, and Law Enforcement Liability coverages. The self-insurance plan provides for $1 million per occurrence coverage with a $3 million annual aggregate loss limit. In the absence of commercial liability insurance at reasonable cost, alternative measures for funding liability claims expense had to be developed. City officials created a fully funded self-insurance program by issuing taxable municipal bonds. An actuarial study performed by the Wyatt Company, Dallas, Texas, determined that the City of Arlington would need $9.9 million to cover statistically predictable liability losses incurred between November 1, 1986, and November 1, 1996. Bonds were issued in the principal amount of $9,000,000 and the City contributed $1,000,000 from its General Fund. In May 1992, $5,000,000 principal amount of the Risk Management Notes (the "Notes") were paid, leaving $4,000,000 principal amount outstanding. On August 28, 1996 the City of Arlington Property Finance Authority passed a resolution calling the Notes for early redemption on November 1, 1996. The Notes were redeemed at par on November 1, 1996.

On January 12, 1999, the City issued $7,000,000 Combination Tax and Revenue Certificates of Obligation, Taxable Series 1999. The proceeds of this issue have been used to recapitalize the City's self-insurance program. An actuarial study estimated that the $7,000,000 of proceeds would adequately fund the self-insurance program through September 30, 2004.

On September 11, 2001, Ordinance 01-109 was passed by the Mayor and City Council, which extended the City's self-insurance and risk management program through September 30, 2005.

As of September 30, 2002, the total current assets less total current liabilities were $7,507,000. The non-current claims liability at September 30, 2002 was $847,000. Claims occurring prior to November 1, 1986 are covered under the City's previous commercial insurance program. Property, Fidelity and Crime coverages remain commercially insured.

EXECUTION

This Official Statement was approved and the execution and delivery of this Official Statement authorized by the City of Arlington, Texas on June 24, 2003.

\s\ Robert N. Cluck
Mayor, City of Arlington, Texas

ATTEST:

\s\ Barbara G. Heptig
City Secretary
City of Arlington, Texas

APPENDIX E

SCHEDULE OF OBLIGATIONS TO BE REFUNDED[1]

Issue	Maturities Being Refunded	Principal Amount to be Refunded	Redemption Date
Permanent Improvement Bonds, Series 1993-A	2004-2006, 2013	4,135,000	09/01/2003
Permanent Improvement Bonds, Series 1994	2005-2006	2,485,000	08/15/2004
Combination Tax & Revenue Certificates of Obligation, Series 1995	2006-2009	360,000	08/15/2005
Permanent Improvement Bonds, Series 1995	2006-2009, 2013, 2015	8,400,000	08/15/2005
Permanent Improvement Bonds, Series 1996	2008-2009	2,460,000	08/15/2006

[1] All bonds to be redeemed at par.